

The Economic Benefits of the Cow Creek Tribe To Douglas County Oregon

Summary by Dr. John Stelzer

Overview

The Economic Benefits report written by Robert Whelan and Alec Josephson, ECONorthwest reports on the economic benefits to Douglas County Oregon of the Cow Creek Tribe for the year 2004. Major findings were:

- Total Douglas County economic output was \$107.1 million greater due to the Tribe.
- There were 1,610 more payroll jobs in Douglas County due to the Tribe.
- Payroll jobs of the Tribe payed \$40 million or 3.9 % of the total County payroll.
- Small businesses and self-employed workers throughout the County earned \$6.4 million due to the Tribe.
- Property taxes imposed on residences of Cow Creek employees totaled \$1.14 million.

The Douglas County economic benefits report is derivative from and related to a more expensive report titled The Contributions of Indian Gaming to Oregon's Economy, an Economic Impact and Benefits Analysis also prepared by ECONorthwest for the Oregon Indian Gaming Alliance dated February 15, 2005. The Oregon Gaming Alliance is a coalition of the nine Oregon Tribes who own casinos, eight of whom were operating casinos in 2003, the year the report covered.

The major findings of the Gaming Alliance report were that Indian casino gaming contributed:

- Directly, 5,328 jobs with \$192.4 million in wages and benefits for casino workers and due to Tribal government activities.
- Indirectly, 5,640 jobs with \$156.5 million income in other sectors of Oregon's economy.
- Over one billion dollars in total economic output.
- Over \$42.6 million in taxes and other revenues for state and local governments.
- Savings to state and local governments of nearly \$7.1 million in public assistance costs through greater statewide employment.

The statewide report also concluded that "tribal gaming is working as an economic development tool [for Tribes] and as a means for Tribes to appropriately meet the socioeconomic needs of their members." (Page 3 of the state report.)

In general, the Douglas County report on Tribal benefits of the Cow Creek to Douglas County is in total agreement with the positive benefits cited of Tribal gaming to Oregon; even though the Oregon report focuses on just casino gaming, while the Douglas County report focuses on not just casino gaming, but other Tribal businesses and activities as well.

Cow Creek Businesses

While the Seven Feathers Hotel and Casino Resort is the largest funding source for Cow Creek economic activities such as hiring employees, payments to local contractors and the purchases of goods and services, it is not the only source of Tribal economic activity. Besides the Hotel Casino Resort the Tribe owns and operates several other independent businesses that contribute economic benefits to Douglas County.

- Umpqua Indian Foods – Wholesale and retail foods and gifts.
- Seven Feathers Truck and Travel Center – Full service truck stop.
- Creekside Restaurant – 24 hour restaurant associated with the truck stop.
- Creative Images – Media design and printing.
- RIO Communications – Telephone and Internet provider.
- Canyonville Cubbyholes – Self storage in Canyonville.
- Hospitality Division – Several small motels and an RV Park.
- Umpqua Indian Utility – Electricity distributor.
- K-Bar Ranch – Cattle and feed operation.

Because of its business activities, since 1992, the Tribe has made major contributions to reducing the unemployment rate in Douglas County from its highs of well over 10% to averages between 7 and 8%, narrowing the gap between county and state unemployment rates to 1.9% in 2005.

Tribal Donations

The Tribe donates large amounts – over \$1.6 in 2004 alone – to charitable, non profit and local government causes in Douglas County and in neighboring counties. In 2004 there were well over 250 recipients of Tribal donations including Douglas County schools.

For more information on the Cow Creek Foundation visit www.cowcreekfoundation.com

State Report vs. County Report

The statewide report referred to in the overview above reports on the contributions made by Indian gaming casinos to the state economy while the Douglas County report focuses on all Cow Creek business activities and the Cow Creek government itself, not just the Seven Feathers Hotel Casino Resort.

When taking all businesses, including the business of running the Cow Creek government into account, the question that must be asked is: What would the economic picture in Douglas County be like if the Cow Creek were not there? Or: But for the Cow Creek what would the economy be like? In other words: “How much better off is the Douglas County economy because of the Cow Creek Tribe?” (Page 10. All page references in this summary refer to the complete report.)

To answer that question ECONorthwest used an economic planning tool known as IMPLAN (IMpact analysis for PLANning). IMPLAN itself is based on the work of Professor Wassily Leontief in the late 1930's for which he won the Nobel Prize in economics. The IMPLAN software itself was developed by the US Forest Service, the Federal Emergency Management Agency and the Bureau of Land Management. To “assist federal agencies in their land and resource management planning.”

Briefly, once an estimate of how much money flows into an economic entity such as the Cow Creek Hotel Casino Resort, IMPLAN uses an input-output model to model how output from that entity ripples through various sectors of the economic community, tracking the effect on 509 other economic sectors, to be more precise. (For details on IMPLAN see Appendix A of the Douglas County report.)

IMPLAN Modeling

To get an idea how IMPLAN, the economic modeling tool used by ECONorthwest works, Tribal spending is of two varieties:

- Government spending.
- Business spending.

The Tribal government spends money on services such as education, housing, childcare, medical assistance, and government functions such as planning, research, legal, cultural, financial and general administration. This spending has:

- Direct effects – labor and non labor operating expenses.
- Indirect effects – to purchase goods and services from other businesses.
- Induced effects – disposable income spent by Tribal government employees.

When goods and services are purchased, those purchases in turn cause further rounds of purchases from other businesses causing further rounds of indirect effects that ripple through other segments of the economy. ECONorthwest used IMPLAN to model these effects based on audited financial statements made available to ECONorthwest.

Also, non local visitors to Douglas County make purchases from the Tribe, primarily to the casino, but also for lodging, food and gasoline. In addition, they make purchases from non Tribal establishments such as restaurants, and stay in non Tribal motels. IMPLAN also models those expenditures.

IMNPLAN also accounts for inter-segment transfers between Tribal businesses and isolates the dollar-for-dollar impact on the Douglas County economy.

New Dollars

New dollars to the Douglas County economy arise due to expenditures that occur that would not have occurred “but for” the existence of the Cow Creek Tribe. They are as follows.

- **Exports:** In-county expenditures by non local sources that otherwise would have spent their money elsewhere. For example, trucks passing through that refuel at the truck stop.
- **Substitutions:** In-county expenditures by local sources that otherwise would have spent their money elsewhere. For example, on a trip to Nevada. (See page 14.)
- **Diversions:** In-county expenditures by local sources who would have spent their money at other local businesses. For example, buying lunch at Creekside Restaurant rather than some other lunch place. This is a net deduction because it does not represent “new” dollars for the Douglas County economy, itself.

Net Impacts

The scale of economic impacts generated by the Cow Creek in 2004 is truly impressive, totaling \$107 million in new **net** economic activity. These net, and they are net not gross, economic benefits of the Tribe for 2004 are taken from Table 1 in the report. (Page 16.) This is in-County spending that would not have occurred in the absence of the Tribe.

	Output	Wages
Direct:	\$53,060,000	\$24,330,000
Indirect	25,750,000	8,200,000
Induced	28,310,000	11,450,000
Total	\$107,120,000	\$43,980,000

Of the \$53 million in direct output generated by the Tribe in 2004:

- 17 % was in construction.
- 7 % was in the retail and wholesale trade.
- 5 % was in finance, insurance and real estate.
- 3 % was in manufacturing.

Also, as shown, the Tribe generates approximately \$24 million in net direct wages. Indirect Tribal impacts in 2004 were \$25.8 million including \$8.2 million in wages. Induced purchases or consumption spending by households whose incomes were linked to the Tribe’s government and business activities were \$28.3 million because of additional income generated by the Tribe. This includes \$11.5 million in wages.

Not shown above, but from Table 1 in the report, the Tribe was responsible for small business income in the county on the order of: Direct: \$3.4 million; Indirect: \$1.8 million; and Induced: \$1.3 million; for a total of \$6.4 million.

In terms of jobs, the Tribe was responsible in 2004 for the creation of 1,610 new jobs.

Multiplier Effects and Diversification

For every 10 Tribal employees approximately twelve new jobs were created in other sectors of the Douglas County economy that could not have occurred but for the Tribe. The economic diversity of the Tribe:

- Helps insulate Douglas County from economic shocks.
- Spreads the indirect and induced impacts more broadly throughout the local economy.
- Fuels a more vibrant economy through higher spending.
- Generates employment and income opportunities for workers on every income level.

More details concerning net economic impacts of the Cow Creek Tribe are given in the report in Table 2 on page 18, and in Table 3 on page 19.

Without the Tribe?

Suppose the Tribal economic activity was subtracted out of the Douglas County economy in 2004. For one thing there would have been 1,610 fewer jobs in the county. What would have happened if those unemployed workers left the county compared to if they had stayed in the county?

If the unemployed had stayed in the county:

- County population, school aged population and the labor force would have stayed the same.
- The number of employed would have decreased by 3.7%.
- The number of unemployed would have increased by 39.3%.
- The unemployment rate would have increased by 3.3% going from 8.6% to 11.9% in December 2004.
- The total payroll would have decreased 3.9%.

If the unemployed had left the county:

- County population, school age population and the labor force would have all decreased 4.1, 4.8 and 3.4%, respectively.
- The number of employed would have decreased by 3.7%.
- The number of unemployed would not have changed.
- The unemployment rate would have increased 0.3%.
- The total payroll would have decreased 3.9%.

Losing 1,610 Jobs

As can be seen from the data in the last section the net loss of 1,610 jobs were it not for the Cow Creek would have had a profound effect, especially on the number of unemployed and the unemployment rate. If those 1,610 unemployed workers left the county it would cost the county:

- 4,231 residents.
- 898 school aged children.
- 1,449 households.

The loss of so many households would have: "...devastating effects on the quality of neighborhoods, and, in turn, on property values and tax revenues for local taxing jurisdictions." (Page 22.) Also, commercial businesses would have had fewer customers lessening the value of commercial real estate.

Property Taxes

The real market property value in Douglas County in 2004 was over \$7.2 billion with a net assessed value of over \$5.6 billion. A total of \$62.7 million in taxes was imposed on Douglas County property that year.

Almost \$3.8 billion of land, buildings and other properties were subject to all or partial property tax exceptions in Douglas County in 2004/2005. Land held by the Cow Creek accounted for a total of about 2% of that total. In fact, in terms of the value of the property held, the Cow Creek were tenth on the list of property holders. (For more details see Table 6 on page 25 which also shows the assessed values of those holdings.)

The total property taxes imposed on the 1,300 unique Douglas County home addresses of Cow Creek employees in 2004/2005 was \$1,135,655 or 1.8% of the total property taxes imposed by Douglas County that tax year.